

iShares Silver Trust  
Form 10-Q  
November 08, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

**Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
For the quarterly period ended September 30, 2012

**Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-32863

**iShares<sup>®</sup> Silver Trust**

(Exact name of registrant as specified in its charter)

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**New York** **13-7474456**  
(State or other jurisdiction of **(I.R.S. Employer**  
incorporation or organization) **Identification No.)**  
**c/o BlackRock Asset Management International Inc.**

**400 Howard Street**

**San Francisco, California 94105**

**Attn: Product Management Team**

**iShares® Product Research & Development**

(Address of principal executive offices)

**(415) 670-2000**

(Registrant's telephone number, including area code)

**N/A**

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No



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**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Financial Statements****iShares® Silver Trust****Balance Sheets**

At September 30, 2012 (Unaudited) and December 31, 2011

| (Dollar amounts in \$000 s)   | September 30,<br>2012 | December 31,<br>2011 |
|---|-----------------------|----------------------|
| <b>ASSETS</b>   |                       |                      |
| <b>Current assets</b>   |                       |                      |
| Silver bullion inventory (fair value of \$11,072,456 and \$8,702,922, respectively)   | \$ 7,968,465          | \$ 7,191,460         |
| Payable for capital Shares redeemed   | (95,597)              |                      |
| Receivable for capital Shares sold  | 15,105                |                      |
| <b>TOTAL ASSETS</b>   | <b>\$ 7,887,973</b>   | <b>\$ 7,191,460</b>  |
| <b>LIABILITIES, REDEEMABLE CAPITAL SHARES AND SHAREHOLDERS EQUITY (DEFICIT)</b>   |                       |                      |
| <b>Current liabilities</b>  |                       |                      |
| Sponsor s fees payable  | \$ 4,318              | \$ 4,042             |
| Total liabilities   | 4,318                 | 4,042                |
| Commitments and contingent liabilities (Note 5)   |                       |                      |
| Redeemable capital Shares, no par value, unlimited amount authorized (at redemption value) 329,750,000 issued and outstanding at September 30, 2012 and 317,500,000 issued and outstanding at December 31, 2011 | 11,068,138            | 8,698,880            |
| Shareholders equity (deficit)   | (3,184,483)           | (1,511,462)          |
| <b>TOTAL LIABILITIES, REDEEMABLE CAPITAL SHARES AND SHAREHOLDERS EQUITY (DEFICIT)</b>   | <b>\$ 7,887,973</b>   | <b>\$ 7,191,460</b>  |

*See notes to financial statements.*

**Table of Contents****iShares® Silver Trust****Income Statements (Unaudited)**

For the three and nine months ended September 30, 2012 and 2011

| (Dollar amounts in \$000 s, except for per Share amounts) | Three Months Ended<br>September 30, |             | Nine Months Ended<br>September 30, |              |
|---|-------------------------------------|-------------|------------------------------------|--------------|
|   | 2012                                | 2011        | 2012                               | 2011         |
| <b>Revenue</b>  |                                     |             |                                    |              |
| Proceeds from sales of silver to pay expenses             | \$ 10,993                           | \$ 14,983   | \$ 35,323                          | \$ 44,269    |
| Cost of silver sold to pay expenses                       | (9,179)                             | (8,448)     | (27,689)                           | (23,363)     |
| Gain on sales of silver to pay expenses                   | 1,814                               | 6,535       | 7,634                              | 20,906       |
| Gain on silver distributed for the redemption of Shares   | 112,130                             | 486,613     | 318,871                            | 2,922,223    |
| Total gain on sales and distributions of silver           | 113,944                             | 493,148     | 326,505                            | 2,943,129    |
| <b>Expenses</b>   |                                     |             |                                    |              |
| Sponsor s fees  | (11,725)                            | (15,427)    | (35,599)                           | (45,008)     |
| Total expenses  | (11,725)                            | (15,427)    | (35,599)                           | (45,008)     |
| <b>NET INCOME</b>   | \$ 102,219                          | \$ 477,721  | \$ 290,906                         | \$ 2,898,121 |
| Net income per Share                                      | \$ 0.32                             | \$ 1.48     | \$ 0.91                            | \$ 8.55      |
| Weighted-average Shares outstanding                       | 323,750,000                         | 323,457,609 | 320,820,985                        | 339,157,875  |
| <i>See notes to financial statements.</i>                 |                                     |             |                                    |              |

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**iShares® Silver Trust**

**Statements of Changes in Shareholders' Equity (Deficit)**

For the nine months ended September 30, 2012 (Unaudited)

and the year ended December 31, 2011

| <b>(Dollar amounts in \$000 s)</b>                          | <b>Nine Months<br/>Ended<br/>September 30, 2012</b> | <b>Year Ended<br/>December 31, 2011</b> |
|---|---|---|
| Shareholders' equity (deficit) beginning of period          | \$ (1,511,462)                                      | \$ (5,105,181)                          |
| Net income  | 290,906   | 3,070,085                               |
| Adjustment of redeemable capital Shares to redemption value | (1,963,927)   | 523,634                                 |
| Shareholders' equity (deficit) end of period                | \$ (3,184,483)                                      | \$ (1,511,462)                          |

*See notes to financial statements.*

**Table of Contents****iShares® Silver Trust****Statements of Cash Flows (Unaudited)**

For the nine months ended September 30, 2012 and 2011

| (Dollar amounts in \$000 s)   | Nine Months Ended<br>September 30, |                |
|---|------------------------------------|----------------|
|   | 2012                               | 2011           |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                      |                                    |                |
| Proceeds from sales of silver   | \$ 35,323                          | \$ 44,269      |
| Expenses Sponsor s fees paid  | (35,323)                           | (44,269)       |
| Net cash provided by operating activities   |                                    |                |
| Increase (decrease) in cash   |                                    |                |
| Cash, beginning of period   |                                    |                |
| Cash, end of period   | \$                                 | \$             |
| <b>RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b> |                                    |                |
| Net income  | \$ 290,906                         | \$ 2,898,121   |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                    |                |
| Gain on silver distributed for the redemption of Shares                           | (318,871)                          | (2,922,223)    |
| Cost of silver sold to pay expenses   | 27,689                             | 23,363         |
| Increase in Sponsor s fees payable  | 276                                | 739            |
| Net cash provided by operating activities   | \$                                 | \$             |
| Supplemental disclosure of non-cash information:                                  |                                    |                |
| Carrying value of silver received for creation of Shares                          | \$ 1,906,843                       | \$ 4,870,066   |
| Carrying value of silver distributed for redemption of Shares, at average cost    | \$ (1,182,641)                     | \$ (3,104,397) |
| <i>See notes to financial statements.</i>   |                                    |                |



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**iShares® Silver Trust**

**Notes to Financial Statements (Unaudited)**

September 30, 2012

**1 - Organization**

The iShares® Silver Trust (the Trust) was organized on April 21, 2006 as a New York trust. The trustee is The Bank of New York Mellon (the Trustee), which is responsible for the day to day administration of the Trust. As of the date of this filing, the Trust's sponsor is BlackRock Asset Management International Inc. (the Sponsor), a Delaware corporation; however, on September 14, 2012, the Trust announced that, subject to certain conditions, it expects iShares Delaware Trust Sponsor LLC, a Delaware limited liability company, to become sponsor of the Trust. The Trust is governed by the Depositary Trust Agreement (the Trust Agreement) executed at the time of organization of the Trust by the Trustee and the Sponsor. The Trust issues units of beneficial interest (or Shares) representing fractional undivided beneficial interests in its net assets.

The objective of the Trust is for the value of its Shares to reflect, at any given time, the price of silver owned by the Trust at that time, less the Trust's expenses and liabilities. The Trust is designed to provide a vehicle for investors to own interests in silver bullion.

The accompanying unaudited financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for interim financial information and with the instructions for Form 10-Q and the rules and regulations of the U.S. Securities and Exchange Commission (the SEC). In the opinion of management, all material adjustments, consisting only of normal recurring adjustments, considered necessary for a fair statement of the interim period financial statements have been made. Interim period results are not necessarily indicative of results for a full-year period. These financial statements and the notes thereto should be read in conjunction with the Trust's financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2011 as filed with the SEC on February 29, 2012.

The Trust is not an investment company registered under the Investment Company Act of 1940, as amended.

**2 - Summary of Significant Accounting Policies**

**A. Basis of Accounting**

The following is a summary of significant accounting policies consistently followed by the Trust in the preparation of its financial statements in conformity with U.S. GAAP. The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and these differences could be material.

**B. Silver Bullion**

JPMorgan Chase Bank N.A., London branch (the Custodian), is responsible for the safekeeping of silver bullion owned by the Trust.

For financial statement purposes, the silver bullion held by the Trust is valued at the lower of cost or market, using the average cost method. Should the market value of the silver bullion held be lower than its average cost during the interim periods, an adjustment (market value reserve) to cost may be recorded by the Trust to reflect market value. At the end of the Trust's fiscal year, management will make a determination on whether the reserve is recovered or whether the cost basis of silver should be written down. Gain or loss on sales of silver bullion is calculated on a trade date basis. Fair value of the silver bullion is based on the price for an ounce of silver set each working day by three market making members of The London Bullion Market Association (London Fix).

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The following table summarizes activity in silver bullion for the three months ended September 30, 2012 (all balances in 000 s):

|  | Ounces     | Average Cost | Fair Value    | Realized Gain (Loss) |
|--|------------|--------------|---------------|----------------------|
| Beginning balance                                | 315,767.0  | \$ 7,620,800 | \$ 8,550,971  | \$                   |
| Silver contributed                               | 24,712.0   | 775,566      | 775,566       |                      |
| Silver distributed                               | (20,548.7) | (499,214)    | (611,344)     | 112,130              |
| Silver sold                                      | (378.9)    | (9,179)      | (10,993)      | 1,814                |
| Adjustment for realized gain                     |            |              | 113,944       |                      |
| Adjustment for unrealized gain on silver bullion |            |              | 2,254,312     |                      |
| Ending balance                                   | 319,551.4  | \$ 7,887,973 | \$ 11,072,456 | \$ 113,944           |

The following table summarizes activity in silver bullion for the nine months ended September 30, 2012 (all balances in 000 s):

|  | Ounces     | Average Cost | Fair Value    | Realized Gain (Loss) |
|--|------------|--------------|---------------|----------------------|
| Beginning balance                                | 308,833.3  | \$ 7,191,460 | \$ 8,702,922  | \$                   |
| Silver contributed                               | 61,169.8   | 1,906,843    | 1,906,843     |                      |
| Silver distributed                               | (49,291.5) | (1,182,641)  | (1,501,512)   | 318,871              |
| Silver sold                                      | (1,160.2)  | (27,689)     | (35,323)      | 7,634                |
| Adjustment for realized gain                     |            |              | 326,505       |                      |
| Adjustment for unrealized gain on silver bullion |            |              | 1,673,021     |                      |
| Ending balance                                   | 319,551.4  | \$ 7,887,973 | \$ 11,072,456 | \$ 326,505           |

**C. Redeemable Capital Shares**

Shares of the Trust are classified as redeemable for balance sheet purposes, since they are subject to redemption. Trust Shares are issued and redeemed continuously in aggregations of 50,000 Shares in exchange for silver bullion rather than cash. Individual investors cannot purchase or redeem Shares in direct transactions with the Trust. The Trust only transacts with registered broker-dealers that are eligible to settle securities transactions through the book-entry facilities of the Depository Trust Company and that have entered into a contractual arrangement with the Trust and the Sponsor governing, among other matters, the creation and redemption of Shares (such broker-dealers, the Authorized Participants). Holders of Shares of the Trust may redeem their Shares at any time acting through an Authorized Participant and in the prescribed aggregations of 50,000 Shares; *provided*, that redemptions of Shares may be suspended during any period while regular trading on NYSE Arca, Inc. ( NYSE Arca ) is suspended or restricted, or in which an emergency exists as a result of which delivery, disposal or evaluation of silver is not reasonably practicable.

The per Share amount of silver exchanged for a purchase or redemption is calculated daily by the Trustee, using the London Fix to calculate the silver amount in respect of any liabilities for which covering silver sales have not yet been made, and represents the per Share amount of silver held by the Trust, after giving effect to its liabilities, sales to cover expenses and liabilities and any losses that may have occurred.

When silver is exchanged in settlement of a redemption, it is considered a sale of silver for financial statement purposes.

Due to the expected continuing sales and redemption of capital stock and the three-day period for Share settlement, the Trust reflects capital Shares sold as a receivable, rather than as contra equity. Shares redeemed are reflected as a contra asset on the trade date. Outstanding Trust Shares are reflected at redemption value, which is the net asset value per Share at the period ended date. Adjustments to redemption value are reflected in shareholders' equity.

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Net asset value is computed by deducting all accrued fees, expenses and other liabilities of the Trust, including the Sponsor's fees, from the fair value of the silver bullion held by the Trust.

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Activity in redeemable capital Shares was as follows (all balances in 000 s):

|                             | Three Months Ended<br>September 30, 2012 |                          | Nine Months Ended<br>September 30, 2012 |               |
|-----------------------------|--|--------------------------|---|---------------|
|                             | Shares                                   | Amount                   | Shares                                  | Amount        |
| Beginning balance           | 325,450                                  | \$ 8,547,385             | 317,500                                 | \$ 8,698,880  |
| Shares issued               | 25,500                                   | 775,566                  | 63,050                                  | 1,906,843     |
| Shares redeemed             | (21,200) <sup>(a)</sup>                  | (611,344) <sup>(a)</sup> | (50,800)                                | (1,501,512)   |
| Redemption value adjustment |  | 2,356,531 <sup>(a)</sup> |   | 1,963,927     |
| Ending balance              | 329,750                                  | \$ 11,068,138            | 329,750                                 | \$ 11,068,138 |

(a) Included in the amounts for the three months ended September 30, 2012 are out of period adjustments related to redemptions for 4,500 Shares (in 000 s) that occurred on June 29, 2012 and were not reported in the three and six months ended June 30, 2012. The redemptions aggregated to \$118,186 (in 000 s) and generated gains of \$12,856 (in 000 s) from the silver distributed.

**D. Federal Income Taxes**

The Trust is treated as a grantor trust for federal income tax purposes and, therefore, no provision for federal income taxes is required. Any interest and gains and losses are deemed passed through to the holders of Shares of the Trust.

**3 - Trust Expenses**

The Trust pays to the Sponsor a Sponsor's fee that accrues daily at an annualized rate equal to 0.50% of the adjusted net asset value of the Trust, paid monthly in arrears. The Sponsor has agreed to assume the following administrative and marketing expenses incurred by the Trust: the Trustee's fee, the Custodian's fee, NYSE Arca listing fees, SEC registration fees, printing and mailing costs, audit fees and expenses, and up to \$100,000 per annum in legal fees and expenses.

**4 - Related Parties**

The Sponsor and the Trustee are considered to be related parties to the Trust. The Trustee's fee is paid by the Sponsor and is not a separate expense of the Trust.

**5 - Indemnification**

Under the Trust's organizational documents, the Sponsor is indemnified against liabilities or expenses it incurs without negligence, bad faith or willful misconduct on its part. The Trust's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Trust that have not yet occurred.

**6 - Concentration Risk**

Substantially all of the Trust's assets are holdings of silver bullion, which creates a concentration risk associated with fluctuations in the price of silver. Accordingly, a decline in the price of silver will have an adverse effect on the value of the Shares of the Trust. Factors that may have the effect of causing a decline in the price of silver include a change in economic conditions (such as a recession), an increase in the hedging activities of silver producers, and changes in the attitude towards silver of speculators, investors and other market participants.

**7 - Subsequent Events**

In connection with the preparation of the financial statements of the Trust as of and for the period ended September 30, 2012, management has evaluated the impact of all subsequent events through the date the financial statements were issued and has determined that there were no subsequent events requiring adjustment or disclosure in the financial statements.



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### **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*This information should be read in conjunction with the financial statements and notes to financial statements included in Item 1 of Part I of this Form 10-Q. The discussion and analysis that follows may contain statements that relate to future events or future performance. In some cases, such forward-looking statements can be identified by terminology such as may, should, expect, plan, anticipate, believe, estimate, predict, potential or the negative of these terms or other comparable terminology. Neither the Sponsor, nor any other person assumes responsibility for the accuracy or completeness of any forward-looking statements. Neither the Trust nor the Sponsor is under a duty to update any of the forward-looking statements to conform such statements to actual results or to a change in the Sponsor's expectations or predictions.*

#### **Introduction**

The iShares® Silver Trust (the Trust) is a grantor trust formed under the laws of the State of New York. The Trust does not have any officers, directors, or employees, and is administered by The Bank of New York Mellon (the Trustee) acting as trustee pursuant to the Depositary Trust Agreement (the Trust Agreement) between the Trustee and BlackRock Asset Management International Inc., the sponsor of the Trust (the Sponsor). The Trust issues units of beneficial interest (or Shares) representing fractional undivided beneficial interests in its net assets. The assets of the Trust consist primarily of silver bullion held by a custodian as an agent of the Trust responsible only to the Trustee.

The Trust is a passive investment vehicle and the objective of the Trust is for the value of each Share to approximately reflect, at any given time, the price of silver owned by the Trust less the Trust's expenses and liabilities divided by the number of outstanding Shares. The Trust does not engage in any activities designed to obtain a profit from, or ameliorate losses caused by, changes in the price of silver.

The Trust issues and redeems Shares only in exchange for silver, only in aggregations of 50,000 Shares or integral multiples thereof (each, a Basket), and only in transactions with registered broker-dealers that have previously entered into an agreement with the Trust governing the terms and conditions of such issuance (such broker-dealers, the Authorized Participants). A list of current Authorized Participants is available from the Sponsor or the Trustee.

Shares of the Trust trade on NYSE Arca, Inc. under the symbol SLV.

#### **Valuation of Silver; Computation of Net Asset Value**

On each business day, as soon as practicable after 4:00 p.m. (New York time), the Trustee evaluates the silver held by the Trust and determines the net asset value of the Trust and the net asset value per Share. The Trustee values the silver held by the Trust using the announced price for an ounce of silver set each working day by three market making members of The London Bullion Market Association (London Fix). Having valued the silver held by the Trust, the Trustee then subtracts all accrued fees (other than the fees to be computed by reference to the value of the Trust or its assets), expenses and other liabilities of the Trust from the value of the silver and other assets of the Trust. The result is the adjusted net asset value of the Trust, which is used to compute all fees (including the Sponsor's fee), which are calculated based on the value of the Trust's assets. To determine the net asset value of the Trust, the Trustee subtracts from the adjusted net asset value of the Trust the amount of accrued fees computed from the value of the Trust's assets. The Trustee also computes the net asset value per Share, by dividing the net asset value of the Trust by the number of Shares outstanding on the date the computation is made.

#### **Liquidity**

The Trust is not aware of any trends, demands, conditions or events that are reasonably likely to result in material changes to its liquidity needs. In exchange for a fee, the Sponsor has agreed to assume most of the expenses incurred by the Trust. As a result, the only ordinary expense of the Trust during the period covered by this report was the Sponsor's fee. The Trust's only source of liquidity is its sales of silver.

#### **Critical Accounting Policies**

The financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements relies on estimates and assumptions that impact the Trust's financial position and results of operations. These estimates and assumptions affect the Trust's application of accounting policies. Below we describe the valuation of silver bullion, a critical accounting policy that we believe is important to understanding our results of operations and financial position. In addition, please refer to Note 2 to the financial statements for further discussion of the Trust's accounting policies.



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### **Valuation of Silver Bullion**

Silver bullion held by the Trust is recorded at the lower of cost or market. For purposes of this calculation, market values are based on the London Fix. Should the market value of the silver bullion held be lower than its average cost during the interim periods, an adjustment ( market value reserve ) to cost may be recorded by the Trust to reflect market value. At the end of the Trust's fiscal year, management will make a determination on whether the reserve is recovered or whether the cost basis of silver should be written down. As indicated above, the London Fix is also used to value silver bullion held for purposes of calculating the net asset value of the Trust, which in turn is used for the calculation of the redemption value of outstanding Trust Shares.

There are other indicators of the value of silver bullion that are available that could be different than that chosen by the Trust. The London Fix is used by the Trust because it is commonly used by the U.S. silver market as an indicator of the value of silver, and is permitted to be used under the Trust Agreement. The use of an indicator of the value of silver bullion other than the London Fix could result in materially different fair value pricing of the silver in the Trust, and as such, could result in different lower of cost or market adjustments or in different redemption value adjustments of the outstanding redeemable capital Shares.

### **Results of Operations**

#### *The Quarter Ended September 30, 2012*

The Trust's net asset value grew from \$8,547,384,787 at June 30, 2012 to \$11,068,137,669 at September 30, 2012, a 29.49% increase. The increase in the Trust's net asset value resulted primarily from an increase in the London Fix price, which rose 27.95% from \$27.08 at June 30, 2012 to \$34.65 at September 30, 2012. The Trust's net asset value also benefited from an increase in outstanding Shares, which rose from 325,450,000 Shares at June 30, 2012 to 329,750,000 Shares at September 30, 2012, a consequence of 25,500,000 Shares (510 Baskets) being created and 21,200,000 Shares (424 Baskets) being redeemed during the quarter.

The 27.84% rise in the Trust's net asset value per Share from \$26.26 at June 30, 2012 to \$33.57 at September 30, 2012 is directly related to the 27.95% increase in the London Fix price.

The Trust's net asset value per Share increased slightly less than the price of silver on a percentage basis due to the Sponsor's fees, which were \$11,725,034 for the quarter, or 0.13% of the Trust's average weighted assets of \$9,356,747,334 during the quarter. The net asset value per Share of \$33.63 on September 14, 2012 was the highest during the quarter, compared with a low during the quarter of \$25.86 on July 12, 2012. The net asset value of the Trust is obtained by subtracting the Trust's expenses and liabilities on any day from the value of the silver owned by the Trust on that day; the net asset value per Share is obtained by dividing the net asset value of the Trust on a given day by the number of Shares outstanding on that day.

Net income for the quarter ended September 30, 2012 was \$102,219,235, resulting from a net gain of \$1,814,467 on the sales of silver to pay expenses and a net gain of \$112,129,802 on silver distributed for the redemption of Shares, offset by Sponsor's fees of \$11,725,034. Other than the Sponsor's fees, the Trust had no expenses during the quarter.

#### *The Nine Months Ended September 30, 2012*

The Trust's net asset value grew from \$8,698,880,266 at December 31, 2011 to \$11,068,137,669 at September 30, 2012, a 27.24% increase. The increase in the Trust's net asset value resulted primarily from an increase in the London Fix Price, which rose 22.96% from \$28.18 at December 31, 2011 to \$34.65 at September 30, 2012. The Trust's net asset value also benefited from an increase in outstanding Shares, which rose from 317,500,000 Shares at December 31, 2011 to 329,750,000 Shares at September 30, 2012, a consequence of 63,050,000 Shares (1,261 Baskets) being created and 50,800,000 Shares (1,016 Baskets) being redeemed during the period.

The 22.52% rise in the Trust's net asset value per Share from \$27.40 at December 31, 2011 to \$33.57 at September 30, 2012 is directly related to the 22.96% increase in the London Fix price.



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The Trust's net asset value per Share increased slightly less than the price of silver on a percentage basis due to the Sponsor's fees, which were \$35,599,435 for the period, or 0.37% of the Trust's average weighted assets of \$9,519,077,732 during the period. The net asset value per Share of \$36.17 on February 29, 2012 was the highest during the period, compared with a low during the period of \$25.86 on July 12, 2012. The net asset value of the Trust is obtained by subtracting the Trust's expenses and liabilities on any day from the value of the silver owned by the Trust on that day; the net asset value per Share is obtained by dividing the net asset value of the Trust on a given day by the number of Shares outstanding on that day.

Net income for the nine months ended September 30, 2012 was \$290,905,758, resulting from a net gain of \$7,634,477 on the sales of silver to pay expenses and a net gain of \$318,870,716 on silver distributed for the redemption of Shares, offset by Sponsor's fees of \$35,599,435. Other than the Sponsor's fees, the Trust had no expenses during the period.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Not applicable.

**Item 4. Controls and Procedures**

The duly authorized officers of the Sponsor performing functions equivalent to those a principal executive officer and principal financial officer of the Trust would perform if the Trust had any officers, and with the participation of the Trustee, have evaluated the effectiveness of the Trust's disclosure controls and procedures, and have concluded that the disclosure controls and procedures of the Trust have been effective as of the end of the period covered by this report to provide reasonable assurance that information required to be disclosed in the reports that the Trust files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported, within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to the duly authorized officers of the Sponsor performing functions equivalent to those a principal executive officer and principal financial officer of the Trust would perform if the Trust had any officers, as appropriate to allow timely decisions regarding required disclosure.

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures.

There were no changes in the Trust's internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Trust's internal control over financial reporting.

**Table of Contents****PART II OTHER INFORMATION****Item 1. Legal Proceedings**

None.

**Item 1A. Risk Factors**

There have been no material changes to the Risk Factors last reported under Part I, Item 1A of the registrant's Annual Report on Form 10-K for the year ended December 31, 2011, filed with the Securities and Exchange Commission on February 29, 2012.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

a) None.

b) Not applicable.

c) 21,200,000 Shares (424 Baskets) were redeemed during the quarter ended September 30, 2012.

| <b>Period</b>        | <b>Total Number of Shares Redeemed</b> | <b>Average Ounces of Silver Per Share</b> |
|----------------------|--|---|
| 07/01/12 to 07/31/12 | 7,900,000                              | 0.9697                                    |
| 08/01/12 to 08/31/12 | 7,200,000                              | 0.9692                                    |
| 09/01/12 to 09/30/12 | 6,100,000                              | 0.9688                                    |
| Total                | 21,200,000                             | 0.9693                                    |

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.

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**Item 6. Exhibits**

| <b>Exhibit No.</b> | <b>Description</b>   |
|--------------------|--|
| 4.1                | Depository Trust Agreement is incorporated by reference to Exhibit 4.1 filed with Registration Statement No. 333-156506 on December 30, 2008                           |
| 4.2                | First Amendment to Depository Trust Agreement is incorporated by reference to Exhibit 4.1 filed with Current Report on Form 8-K on December 2, 2009                    |
| 4.3                | Standard Terms for Authorized Participant Agreements is incorporated by reference to Exhibit 4.2 filed with Registration Statement No. 333-156506 on December 30, 2008 |
| 10.1               | Custodian Agreement is incorporated by reference to Exhibit 10.1 filed with Registration Statement No. 333-156506 on December 30, 2008                                 |
| 10.2               | Sub-license Agreement is incorporated by reference to Exhibit 10.2 filed with Registration Statement No. 333-156506 on December 30, 2008                               |
| 10.3               | Amendment No. 1 to Custodian Agreement is incorporated by reference to Exhibit 10.3 filed with Registration Statement No. 333-137621 on September 27, 2006             |
| 10.4               | Second Amendment to Custodian Agreement is incorporated by reference to Exhibit 10.1 filed with Current Report on Form 8-K on February 10, 2010                        |
| 10.5               | Third Amendment to Custodian Agreement is incorporated by reference to Exhibit 10.5 filed with Registration Statement No. 333-170492 on November 9, 2010               |
| 10.6               | Fourth Amendment to Custodian Agreement is incorporated by reference to Exhibit 10.1 filed with Current Report on Form 8-K on February 14, 2012                        |
| 31.1               | Certification by Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002   |
| 31.2               | Certification by Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002   |
| 32.1               | Certification by Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002                  |
| 32.2               | Certification by Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002                  |
| 101.INS            | XBRL Instance Document   |
| 101.SCH            | XBRL Taxonomy Extension Schema Document  |
| 101.CAL            | XBRL Taxonomy Extension Calculation Linkbase Document  |
| 101.DEF            | XBRL Taxonomy Extension Definition Linkbase Document   |
| 101.LAB            | XBRL Taxonomy Extension Label Linkbase Document  |
| 101.PRE            | XBRL Taxonomy Extension Presentation Linkbase Document   |

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned in the capacities\* indicated thereunto duly authorized.

BlackRock Asset Management International Inc.

Sponsor of the iShares® Silver Trust (registrant)

/s/ Michael A. Latham

**Michael A. Latham**

**President and Chief Executive Officer**

**(Principal executive officer)**

Date: November 8, 2012

/s/ Jack Gee

**Jack Gee**

**Chief Operating Officer and Chief Financial Officer**

**(Principal financial and accounting officer)**

Date: November 8, 2012

\*The registrant is a trust and the persons are signing in their capacities as officers of BlackRock Asset Management International Inc., the Sponsor of the registrant.